



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 2/19/2004

**GAIN Report Number:** PE4002

## Peru

## Oilseeds and Products

## Annual

## 2004

**Approved by:**

Melinda D. Sallyards  
U.S. Embassy

**Prepared by:**

Gaspar E. Nolte

---

**Report Highlights:**

Fishmeal production in CY 2004 is forecast at 1.5 Million Metric Tons, a 27 percent increase compared to the previous year. This significant increase is the result of a higher total catch. Soybean meal imports are expected to 525,000 MT in CY 2004. Soybean oil imports are forecast at 225,000 MT in CY 2004.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Lima [PE1]  
[PE]

## Executive Summary

Total fish catch for CY 2004 is forecast at 7.8 Million Metric Tons, a significant increase from the 5.9 MMT in 2003. Fishmeal production for CY 2004 is forecast at 1.5 MMT a 27 percent increase compared to the previous year, still not at 2002 level. This significant increase is the result of a higher total catch. Warmer waters and the predominance of young fish caused a significant catch reduction in 2003.

The fishing industry is still struggling with the financial crisis originated by El Niño which drove most of the fish away from the Peruvian coast in 1997/1998; the world wide economic crisis that stopped most of the exports to Asia and caused prices to plummet. Though it has managed to reduce its debt somewhat, they still owe \$1.2 billion.

Fish oil production is forecast at 210,000 MT in CY 2004, a slight 2.4 percent recovery from the previous year. Since there are many factors affecting fish oil production, including weather and feed availability for the fish, fish oil production may vary significantly from year to year. Fish oil exports for CY 2004 are forecast at 160,000.

Soybean meal imports are forecast at 525,000 MT for CY 2004, about two percent less than the previous year. With 287,532 MT, Paraguay continues to be the leading soybean meal exporter to Peru in 2003 followed by Argentina with 206,269 MT. The U.S. exported 6,348 MT.

Soybean oil imports are forecast at 225,000 MT in CY 2004. Peru implemented a safeguard for the Andean Community on Nations (CAN) member countries for soybean oil targeting Bolivian soy oil. Peru also implemented an antidumping measure against Argentine soy oil.

<b>PSD Table</b>							
<b>Country</b>	<b>Peru</b>						
<b>Commodity</b>	<b>Meal, Fish</b>				(1000 MT)(PER CENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Catch For Reduction	8000	7800	8500	5917	0	7800	(1000 MT)
Extr. Rate, 999.9999	0.22125	0.2217948	0.2211764	0.1992563	#DIV/0!	0.1923076	(PERCENT)
Beginning Stocks	228	70	158	228	138	5	(1000 MT)
Production	1770	1730	1880	1179	0	1500	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1998	1800	2038	1407	138	1505	(1000 MT)
MY Exports	1750	1482	1800	1372	0	1400	(1000 MT)
MY Exp. to the EC	500	371	500	527	0	520	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	90	90	100	30	0	60	(1000 MT)
TOTAL Dom. Consumption	90	90	100	30	0	60	(1000 MT)
Ending Stocks	158	228	138	5	0	45	(1000 MT)
TOTAL DISTRIBUTION	1998	1800	2038	1407	0	1505	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	1482	0	1372	0	1400	(1000 MT)
Calndr Yr Exp. to U.S.	0	4	0	6	0	6	(1000 MT)

<b>Export Trade Matrix</b>	
<b>Country</b>	Peru
<b>Commodity</b>	Meal, Fish
Time Period	CY2003
Exports for:	
U.S.	6012
Others	
China	520616
Germany	188724
Japan	166212
Taiwan	68498
Canada	44528
UK	39269
Spain	38183
Total for Others	1066030
Others not Listed	299958
Grand Total	1372000

Units: Metric Tons

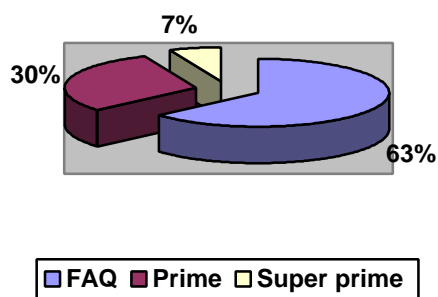
## Fishmeal

### Production

Total fish catch for Calendar Year 2004 is forecast at 7.8 Million Metric Tons, a significant increase from the 5.9 MMT in 2003. Fishmeal production for CY 2004 is forecast at 1.5 MMT a 27 percent increase compared to the previous year. This significant increase is the result of a higher total catch. Warmer waters and predominance of young fish caused a significant catch reduction in 2003.

After years of enjoying fairly stable economic growth and rather large profits, the Peruvian fishing industry has suddenly found itself in troubled waters after the 1997/1998 El Niño and the Asian crisis. The negative effects of el Niño weather phenomenon which pushed the fish away from the Peruvian coasts in 1998, along with the strong devaluation of Asian currencies in 1999, main markets for Peruvian fishmeal, overwhelmed even the most pessimistic estimates turning a sound industry into a high risk investment, especially for banks. Moreover, after a year with prices at around \$680 per MT for prime fishmeal and \$600 per MT for Fair Average Quality (FAQ) fishmeal, prices plummeted to around \$450 and \$380 respectively. Currently, the total industry debt is estimated at \$1.2 billion. The three largest companies account for about 25 percent of the debt.

### Fishmeal Production by Type



Of the 110 fishmeal plants along the Peruvian coast, only 90 are currently working. The Peruvian fishing fleet is comprised of 984 boats, 684 steel boats with storage capacity over 500 cubic meters and 300 wooden boats with storage capacity of 110 cubic meters. Total processing capacity is 7,500 MT per hour, about four times more than they are allowed to catch. Most of the fishing plants have invested significant amounts on better and more efficient equipment. Processing plants are now forced to comply with some environmental regulations. Therefore most of them are now investing in "tail-water" discharge recovery systems, and even airborne particle recovery systems, both of which translate into higher extraction rates (and profits). Larger producers are also investing in canning or freezing lines, to convert more of the catch to higher valued products for human consumption, a trend expected to continue.

Public awareness and international concern for environment problems caused by the fishmeal industry are likely to increase in coming years, which could translate into increased regulations.

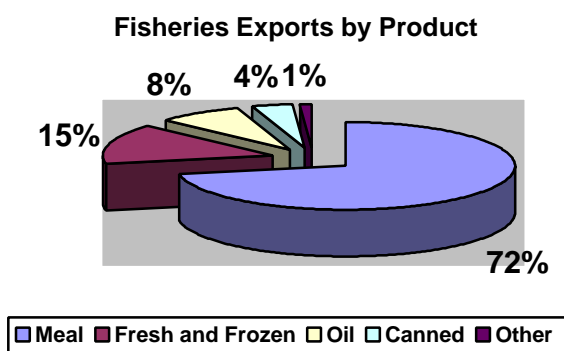
## Consumption

Local fishmeal consumption only accounts for three to five percent of total production and does not have a great impact on the export market. Consumption for CY 2004 is forecast at about 60,000 MT. Local consumption is expected to increase somewhat in the next three years due to an increase demand from the aquaculture industry, but it will still not have a significant impact on fishmeal exports or price.

## Trade

Fishmeal exports for CY 2004 are forecast at 1.4 MMT. With 520,616 MT, China continues to be the major importer followed by Germany, Japan and Taiwan. Fishmeal prices were considered adequate in CY 2003, ranging from \$490 per MT for FAQ (fair average quality meal) to \$650 per MT for prime meal.

Total fisheries exports were \$1.03 billion in CY 2003, three percent less than CY 2002. Fishmeal exports in CY 2003 were \$741 million, almost 10 percent less than the previous year. What Peruvians call direct consumption products, as opposed to indirect consumption via a vis fishmeal, are expected to increase significantly in the upcoming years. Canned fish exports were \$45 million in CY 2003, a 78 percent increase compared to CY 2002. The principal markets for this product were Spain (14 percent), Brazil (12 percent), and Colombia (10 percent). Frozen and fresh fish exports were \$152 million in CY 2003, a 17 percent increase compared to the previous year, with the most important market being the U.S. (25 percent), Spain (22 percent) and Italy (11 percent).



## Policy

The GOP continues to enforce two fishing seasons during each year. These seasonal fishing bans are implemented during the anchovy spawning seasons and may vary somewhat from year to year. Usually the bans are enforced from January to mid March and from August to mid October. The Ministry of Fisheries in the past set a national fishing quota, which was usually around 8 MMT. Since last year, the system has changed to an ongoing measurement of the fish size. The government does not allow fishing if the size of the fish is less than 12 centimeters. In CY 2003 there was only 150 days allowed for commercial fishing.

The Government is very concerned about the sustainable limits of fish catches, and sets limits for the processing capacity of plants and the fishing capacity of fleets. Every processing plant and fishing vessel must apply for an operating permit, and receive a quota, from the Ministry of Fisheries, before it can begin operations each season. Moreover, the government is no longer issuing permits to build new plants nor boats. The only venue to

acquire a fishing boat is to buy one that already has a fishing permit. Some boat owners are being forced to sell their boats due to the deep financial crisis.

Though the GOP has given the industry a tax break through value-added tax drawback on exports, it is still enforcing the 2 percent tax on assets, even if they only work 6 months a year.

<b>PSD Table</b>							
<b>Country</b>	<b>Peru</b>						
<b>Commodity</b>	<b>Oil, Fish</b>				(1000 MT)(PER CENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Catch For Reduction	8000	7800	8500	5917	0	7800	(1000 MT)
Extr. Rate, 999.9999	0	0.023974	0	0.034645	#DIV/0!	0.026923	(PERCENT)
		3		9		0	
Beginning Stocks	0	2	0	2	0	1	(1000 MT)
Production	0	187	0	205	0	210	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	0	189	0	207	0	211	(1000 MT)
MY Exports	0	104	0	168	0	160	(1000 MT)
MY Exp. to the EC	0	104	0	72	0	80	(1000 MT)
Industrial Dom. Consum	0	14	0	5	0	5	(1000 MT)
Food Use Dom. Consum.	0	59	0	25	0	39	(1000 MT)
Feed Waste Dom. Consum	0	10	0	8	0	5	(1000 MT)
TOTAL Dom. Consumption	0	83	0	38	0	49	(1000 MT)
Ending Stocks	0	2	0	1	0	2	(1000 MT)
TOTAL DISTRIBUTION	0	189	0	207	0	211	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	104	0	168	0	160	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)



## **Fish Oil**

### **Outlook**

Fish oil production for CY 2004 is forecast at 210,000 MT, 5,000 MT more than the previous year. Oil extraction is directly related to water temperatures. Under normal weather conditions the oil extraction rate should be around 8 to 10 percent, but in 2003, water temperatures were higher than normal causing oil content to drop to around three percent. Since next year is expected to be normal, weather wise, oil content in the fish and thus oil production is expected to recover.

Exports for CY 2004 are forecast at 160,000 MT. Oil production and exports are difficult to forecast due to the high variability in fish oil content and the lack of official statistics. Chile, Belgium and Norway were the most important importers of Peru's fish oil with 37 percent, 17 percent and 12 percent of the total exports respectively.

Consumption in CY 2004 is forecast at 49,000 MT, 28 percent higher than CY 2003. This increase is the result of an increase of fish oil production and increasing demand for cheaper cooking oil by the lower income sector of the population. Fish oil blended with vegetable oil is the cheapest, thus the most popular cooking oil for Peruvian domestic consumption.

<b>PSD Table</b>							
<b>Country</b>	<b>Peru</b>						
<b>Commodity</b>	<b>Meal, Soybean</b>				(1000 MT)(PERCENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Crush	2	0	2	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0.5	#DIV/0!	0.5	#DIV/0!	#DIV/0!	#DIV/0!	(PERCENT)
Beginning Stocks	9	11	9	20	10	20	(1000 MT)
Production	1	1	1	1	0	0	(1000 MT)
MY Imports	575	543	600	534	0	525	(1000 MT)
MY Imp. from U.S.	50	92	50	6	0	10	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	585	555	610	555	10	545	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	576	535	600	535	0	530	(1000 MT)
TOTAL Dom. Consumption	576	535	600	535	0	530	(1000 MT)
Ending Stocks	9	20	10	20	0	15	(1000 MT)
TOTAL DISTRIBUTION	585	555	610	555	0	545	(1000 MT)
Calendar Year Imports	0	543	0	534	0	525	(1000 MT)
Calendar Yr Imp. U.S.	0	92	0	6	0	10	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

<b>Import Trade Matrix</b>	
<b>Country</b>	Peru
<b>Commodity</b>	Meal, Soybean
Time Period	CY2003
Imports for:	
U.S.	6348
Others	
Paraguay	287532
Argentina	206269
Bolivia	34077
Total for Others	527878
Others not Listed	
Grand Total	534226

Units: Metric Tons

## Soybean meal

### Outlook

Soybean meal imports are forecast at 525,000 MT for CY 2004, about two percent less than the previous year. Nevertheless, imports in the last three years have been higher than the average, which have historically been around 240,000 MT per year. Soybean imports are directly affected by fishmeal production and prices.

With a per capita consumption of about 24 kilograms per annum, chicken meat is a staple product in the Peruvian diet and the second cheapest source protein after fish. Peru's poultry population is about 320 million birds per year and the main user of soybean meal, which constitutes about 12 percent of the broiler's feed.

With 287,532 MT, Paraguay was the leading soybean meal exporter to Peru in 2003 followed by Argentina with 206,269 MT. The U.S. exported 6,348 MT. Despite the duty free agreement, Bolivia only exported 34,077 MT of soybean meal to Peru. Meal prices were around \$342 from Paraguay, \$321 from Argentina, both meals with 48 percent protein. Bolivian meal was around \$328 but only 46 percent protein.

In 2001, Peru reduced import tariffs for soybean meal from 12 to 4 percent, thereby reducing the effects of tariff preferences agreements. Peru grants 100 percent reduction for Bolivian meal, 70 percent reduction for Paraguayan meal and 35 percent for Argentine meal. Besides the tariff, every product imported into Peru or locally produced is assessed 18 percent value-added tax.

The Government of Peru has not yet impeded imports of any agricultural products due to "Biotechnology" concerns, nor expressed any inclination to do so. Nevertheless the Congressional Agriculture Committee attempted to pass a ban for GMOs in 2002 and 2003. The GOP has established a committee to regulate production and trade of genetically engineered products. So far there has not been any effect on commercial trade but the government has started to receive some questions from consumers' associations. Currently there is a congressional proposal to label GMO products, but it does not seem to have much support. Nevertheless, Post has met with several Congressmen and provided abundant information about GMOs, including trade and labeling issues.

<b>PSD Table</b>							
<b>Country</b>	<b>Peru</b>						
<b>Commodity</b>	<b>Oil, Soybean</b>				(1000 MT)(PERCENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		01/2003		01/2004		01/2005	MM/YYYY
Crush	2	0	2	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	#DIV/0!	0	#DIV/0!	#DIV/0!	#DIV/0!	(PERCENT)
Beginning Stocks	20	10	20	15	20	8	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	250	237	260	221	0	225	(1000 MT)
MY Imp. from U.S.	50	35	60	26	0	20	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	270	247	280	236	20	233	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	250	232	260	228	0	225	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	250	232	260	228	0	225	(1000 MT)
Ending Stocks	20	15	20	8	0	8	(1000 MT)
TOTAL DISTRIBUTION	270	247	280	236	0	233	(1000 MT)
Calendar Year Imports	0	237	0	221	0	225	(1000 MT)
Calendar Yr Imp. U.S.	0	35	0	26	0	25	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## Soybean oil

### Outlook

Soybean oil imports are forecast at 225,000 MT in CY 2004. Imports in CY 2003 were 221,000 MT. Soy oil consumption in CY 2003 was 228,000 MT, slightly lower than the 232,000 reached in CY 2002. Peru does not produce any soybeans, so there is no crushing for oil. The only crushing capacity is to produce full fat soy meal for feed.

Crude soybean oil imports are assessed four percent import duty and processed soy oil imports are assessed 12 percent. Peru has several bilateral trade agreements for crude soybean oil. Imports from Bolivia are duty free, while imports from Paraguay are granted 90 percent tariff reduction. Soybean oil from Argentina has 80 percent tariff reduction. Oil coming from any of these countries is not exempt from the 19 percent value-added tax.

In November 2003, Peru implemented a safeguard against the Andean Community on Nations (CAN) member countries for soybean oil. This measure is targeted at increasing the price of Bolivian soy oil, in order to protect the Peruvian oil refining industry. The safeguard eliminates the 100 percent tariff preference granted to Bolivia. Currently the safeguard is being evaluated by CAN committee, which will decide whether this measure is based on sound facts or not by March. If not, Peru will have to lift the safeguard. Peru also has implemented an antidumping measure against Argentine soy oil, this measure adds from 17 to 20 percent on an f.o.b. basis, depending on the exporting company, on top of the regular import duties.